

REDACTEDUNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

UNITED STATES OF AMERICA,)	INDICTMENT	CR10-326 DSD/PLH
)		
Plaintiff,)	(18 U.S.C. § 371)	
)	(18 U.S.C. § 1343)	
v.)	(18 U.S.C. § 1957)	
)	(18 U.S.C. § 981(a)(1)(C))	
1. JOHN ANTHONY SPENCER,)	(18 U.S.C. § 982(a)(1))	
)	(28 U.S.C. § 2641(c))	
2. PATRICK ARTHUR DOLS, and)		
)		
3. BRYAN JOSEPH LENTON,)		
)		
Defendants.)		

THE UNITED STATES GRAND JURY CHARGES THAT:

INTRODUCTORY ALLEGATIONS RELATING TO COUNTS 1-11

1. At all times relevant to this Indictment, defendant John Anthony Spencer ("Spencer") was an individual resident of the State of Minnesota.

2. At all times relevant to this Indictment, Minnesota One Mortgage, Inc. ("Minnesota One") was a mortgage brokerage company with offices located in Maplewood, Minnesota, which utilized defendant Spencer as a mortgage broker.

3. At all times relevant to this Indictment, defendant Patrick Arthur Dols ("Dols") was a mortgage broker at Minnesota One who assisted defendant Spencer in arranging fraudulent loans.

4. At all times relevant to this Indictment, defendant Bryan Joseph Lenton ("Lenton") was a licensed real estate appraiser recruited by defendant Spencer to provide false, fraudulent and inflated appraisals of the real estate sold pursuant to the mortgage fraud scheme described below.

SCANNED

DEC 07 2010

U.S. DISTRICT COURT ST. PAUL

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RICHARD D. SLETTEN, CLERK
JUDGMENT ENTD
DEPUTY CLERK

U.S. v. John Anthony Spencer, et al.

5. At all times relevant to this Indictment, Individual A was a real estate developer who owned numerous single family dwellings in north Minneapolis which he was unable to sell at prices sufficient to repay the money he had borrowed to build them.

6. At all times relevant to this Indictment, Individual B was a real estate agent who worked at Minnesota One.

7. In or about December of 2005, Individual C owned a fiveplex on XXXX XXXXXX in St. Paul which contained five condominium units which Individual C sold to Individual D, a straw buyer, using the scheme described below.

8. In or about April of 2006, Individual C owned a fourplex on XXXXXX XXXXXX in St. Paul which contained four units which Individual C sold to defendant Lenton (1 unit); to Individual B (1 unit); and to unwitting purchaser MN (2 units), using the scheme described below.

COUNT 1

(18 U.S.C. § 371: Conspiracy to Commit Mortgage Fraud Through Interstate Wire)

9. Beginning in approximately September of 2005 and continuing through at least May 2006, in the State and District of Minnesota, the defendants,

U.S. v. John Anthony Spencer, et al.

JOHN ANTHONY SPENCER,
PATRICK ARTHUR DOLS, and
BRYAN JOSEPH LENTON,

did unlawfully, willfully and knowingly conspire, combine, confederate and agree with other persons known and unknown to the grand jury to commit an offense against the United States, that is, to devise a scheme and artifice to defraud mortgage lenders, and to obtain money and property from mortgage lenders by means of material false and fraudulent representations and promises and, for the purpose of executing such scheme, to cause to be transmitted by means of interstate wire certain writings, signs, signals, pictures and sounds, in violation of Title 18, United States Code, Section 1343.

OBJECT OF THE CONSPIRACY

10. It was the object of the conspiracy fraudulently to induce mortgage lenders to loan substantial sums of money to buyers recruited by the defendants to purchase real estate at inflated values and in doing so to create a pool of money which was distributed, without the knowledge of consent of the lenders, to the buyers, to Spencer and to Lenton.

U.S. v. John Anthony Spencer, et al.

MANNER AND MEANS

It was part of the conspiracy that in or about 2005 and 2006:

THE FISK AVENUE PROPERTIES OF INDIVIDUAL C

11. In or about September of 2005, defendant Spencer agreed to assist Individual C in selling at inflated prices all five units in a fiveplex owned by Individual C located at XXX XXXX XXXXXX in St. Paul, Minnesota.

12. In or about December of 2005, defendant Spencer recruited defendant Lenton to appraise each of the five units in the building at more than \$290,000, even though both defendants Spencer and Lenton well knew that each of these units was worth substantially less than \$290,000.

13. Defendant Spencer recruited Individual D, a straw buyer, to purchase each of the units in the building with the proceeds of loans which were fraudulently brokered by defendants Spencer and Dols in that each of the loan applications fraudulently represented that Individual D was going to utilize each of the units as his primary residence and in that defendants Spencer and Dols did not disclose to the lender for any one of the units that Individual D was incurring other mortgage loan obligations to purchase the other four units.

14. Defendant Spencer arranged, with respect to the closing of units XX and XX in the XXXX XXXXXX building, for an aggregate of

U.S. v. John Anthony Spencer, et al.

\$227,800 in bogus payments to be made to "AC Standard Construction" for purported construction labor, consulting and materials when, in fact, AC Standard Construction did no work on any of the XXXX XXXXXX properties and AC Standard Construction was merely an alter ego for Individual D which received kickbacks on behalf of Individual D and defendant Spencer pursuant to the scheme.

15. Individual D defaulted on each of the five fraudulently brokered loans taken out to purchase the Fisk Avenue condominium units.

THE NORTH MINNEAPOLIS PROPERTIES OF INDIVIDUAL A

16. In or about April of 2006, defendant Spencer agreed to assist Individual A in selling at inflated values, among others, at least 16 single-family dwellings located in north Minneapolis which Individual A had been unable to sell legitimately at their true market value.

17. In or about April of 2006, defendant Spencer recruited Lenton to appraise 6 of the dwellings at \$305,000, even though both defendants Spencer and Lenton each well knew that each of the houses was worth substantially less than \$305,000.

18. Defendant Spencer then recruited unwitting purchasers WI and LI (a husband and wife) to purchase the 6 dwellings owned by Individual A with the proceeds of mortgage loans fraudulently brokered by defendants Spencer and Dols at Minnesota One.

U.S. v. John Anthony Spencer, et al.

19. Defendants Spencer and Dols caused WI and LI to take out mortgage loans from six separate mortgage lenders and fraudulently failed to disclose to any one of the lenders the existence of the five other loans or the fact that WI and LI would be obligated to make five additional monthly mortgage payments to the other mortgage lenders.

20. In the loan applications for each of the mortgage loans, defendants Spencer and Dols falsely represented that WI and LI would utilize each of the six homes as their primary residences, and in one case caused WI and LI to sign a false occupancy affidavit indicating that WI and LI would live in the home.

21. In addition, and to undergird the false claim in each loan application that WI and LI would live in the homes being purchased, defendant Spencer included with four of the loan applications a false and fraudulent lease agreement which made it appear that WI and LI leased out their actual residence in Apple Valley to a third party for \$2,200 per month when, in fact, WI and LI at all times lived in the Apple Valley home and never intended to or did live elsewhere and when, in fact, the third party never intended to or did lease the Apple Valley home from WI and LI.

22. Defendant Spencer falsely represented to each of the lenders that Individual A (the seller) would receive all of the seller's proceeds which appeared on the HUD-1 settlement statements

U.S. v. John Anthony Spencer, et al.

for each transaction when, in fact, defendant Spencer had arranged for Individual A to kick back to WI and LI \$45,000 for each of the six units purchased pursuant to the scheme.

23. Defendants Spencer and Dols profited substantially by brokering the fraudulent loans for WI and LI, collecting approximately \$48,000 for brokering the loans, each of which went into default.

24. In addition, defendant Spencer himself purchased 10 properties from Individual A with borrowed funds at prices that were greatly inflated by defendant Lenton, and pocketed \$77,106.58 in kickbacks generated by the fraudulent loans.

THE DAYTON AVENUE FOURPLEX OF INDIVIDUAL C

25. In or about April of 2006, defendant Spencer agreed to assist Individual C in selling at inflated values all 4 units in a fourplex owned by Individual C located at XXX XXXXXX XXXXXX in St. Paul, Minnesota.

26. Defendant Spencer recruited defendant Lenton to appraise units X, X and X of the fourplex at \$420,000, even though both defendant Spencer and defendant Lenton well knew that each of these units was worth less than \$300,000.

27. Defendant Spencer recruited defendant Lenton to purchase unit X of the XXXXXX XXXXXX fourplex; unwitting purchaser MN to purchase units X and X of the XXXXXX XXXXXX fourplex; and

U.S. v. John Anthony Spencer, et al.

Individual B to purchase unit X of the XXXXXX XXXXXX fourplex, in all cases with the proceeds of loans fraudulently brokered by defendants Spencer and Dols at Minnesota One.

28. Although defendant Spencer caused MN to purchase unit X on April 11, 2006 and Unit X on April 19, 2006, defendants Spencer and Dols did not disclose in MN's loan application for the purchase money loans for Unit X that MN already had a monthly mortgage payment obligation on unit X.

29. Defendants Spencer and Dols represented to each of the lenders that financed the purchases of each of the units that the borrowers intended to occupy the units as their primary residences, even though none of them ever intended to live in any of the units.

30. To undergird the misrepresentation in each loan application that the borrowers were going to live in the units, defendants Spencer and Dols represented to each of the lenders that the borrowers' true residences were investment properties leased to tenants, and included a false and fictitious lease agreement in the loan file for MN's purchase of unit X to trick the lender into believing that MN leased what was in fact his primary residence to a tenant.

31. In connection with MN's purchase of unit X and Lenton's purchase of unit X, defendant Spencer falsely represented to the primary purchase-money lenders that the each of the respective

U.S. v. John Anthony Spencer, et al.

borrowers made a substantial down payment on the respective properties out of their own funds, even though defendant Spencer arranged for both of them to borrow those funds from another lender, thereby tricking the purchase-money lenders into believing that the borrowers had their own money invested in the properties and thus a substantial incentive not to default on the purchase-money loans.

32. After the closing of each of the four transactions, and without the knowledge or approval of any of the lenders, defendant Spencer caused an amount exceeding \$80,000 (in the aggregate, more than \$320,000) to be paid into an account in the name of "Dayton Estates," from which he paid himself and his coconspirators kickbacks in the aggregate amount of approximately \$120,000.

33. All of the loans fraudulently brokered by defendants Spencer and Dols went into default, causing losses to lenders exceeding \$1,000,000.

OVERT ACTS

In furtherance of the conspiracy and to achieve its objects, defendant Spencer, defendant Dols and defendant Lenton committed, directly and through accomplices, among other acts, the following overt acts (which encompass only some of the real estate transactions involved in the conspiracy):

U.S. v. John Anthony Spencer, et al.

34. On or about April 10, 2006, the defendants caused a fictitious residential lease agreement to be faxed to Long Beach Mortgage falsely indicating that WI and LI leased their primary residence in Apple Valley, Minnesota, to a tenant in order fraudulently to induce it to loan WI and LI money to purchase XXXX XXXXXX XXXXXX XXXXX, Minneapolis, Minnesota.

35. On or about April 17, 2006, the defendants caused a loan application to be sent to New Century Mortgage Corporation to induce it to loan WI and LI money to purchase XXXX XXXXXX XXXXXX XXXXXX, Minneapolis, Minnesota, which fraudulently represented that the property was being purchased as a primary residence.

36. On or about April 12, 2006, the defendants caused a copy of a cashier's check to be sent to EquiFirst Corp which was falsely represented to be a deposit from a tenant purportedly leasing the primary residence of WI and LI when, in fact, there was no such tenant and the check (check number 186900 for \$500.00) was drawn on defendant Spencer's Anoka Hennepin Credit Union account 246xxxxxxx on April 11, 2006.

37. On or about May 8, 2006, the defendants caused a loan application to be sent to Chase Bank USA to induce it to loan WI and LI money to purchase XXXX XXXXXX XXXXXX XXXXX, Minneapolis, Minnesota, by fraudulently concealing three other monthly mortgage payment obligations WI and LI were obligated to make.

U.S. v. John Anthony Spencer, et al.

38. On or about May 24, 2006, the defendants caused a false loan application to be sent to Chase Bank USA to induce it to loan WI and LI money to purchase XXXX XXXX XXXXXX XXXXX, Minneapolis, Minnesota, by fraudulently concealing four other monthly mortgage payment obligations WI and LI were obligated to make.

39. On or about May 31, 2006, the defendants caused a false Occupancy Certification and Financial Status Affidavit to be sent to First NLC Financial Services, LLC to induce it to loan WI and LI money to purchase XXXX XXXXXX XXXXXX XXXXX, Minneapolis, Minnesota.

40. On or about April 18, 2006, the defendants caused Individual A to write a check to WI for \$89,891.29, a kickback of seller's proceeds from the sales of XXXX XXXXXX XXXXXX XXXXX, Minneapolis, Minnesota, and XXXX XXXXXX XXXXXX XXXXX, Minneapolis, Minnesota, to WI and LI not disclosed to the lenders.

41. On or about May 8, 2006, the defendants caused Individual A to write a check to WI for \$47,151.23, a kickback of seller's proceeds from the sale of XXXX XXXXXX XXXXXX XXXXX, Minneapolis, Minnesota, to WI and LI not disclosed to the lender.

42. On or about May 18, 2006, the defendants caused Individual A to write a check to WI for \$47,075.00, a kickback of seller's proceeds from the sale of XXXX XXXXXX XXXXXX XXXXX, Minneapolis, Minnesota, to WI and LI not disclosed to the lender.

U.S. v. John Anthony Spencer, et al.

43. On or about July 18, 2006, the defendants caused Individual A to write a check to WI for \$85,608.85, a kickback of seller's proceeds from the sales of XXXX XXXX XXXXXX XXXXX, Minneapolis, Minnesota, and XXXX XXXXXX XXXXXX XXXXX, Minneapolis, Minnesota, to WI and LI not disclosed to the lenders.

44. On or about March 17, 2006, the defendants caused a fraudulent and inflated appraisal for XXX XXXXXX XXXXXX, Unit X, St. Paul, Minnesota, to be sent to JP Morgan Chase Bank to induce it to loan MN money to purchase the unit.

45. On or about April 13, 2006, defendant Spencer caused cashier's check number XXXXX payable to defendant Lenton to be withdrawn from the Dayton Estates Anoka Hennepin Credit Union account number 246XXX for \$9,450.00 to compensate defendant Lenton for preparing a fraudulent and inflated appraisal for XXX XXXXXX XXXXXX, Unit X, St. Paul, Minnesota.

46. On or about April 19, 2006, the defendants caused a loan application to be sent to Countrywide Bank to induce it to loan MN money to purchase XXX XXXXXX XXXXXX, Unit X, St. Paul, Minnesota, by concealing that MN had already purchased Unit X in the same building with borrowed funds.

47. On or about May 10, 2006, the defendants caused a false loan application to be sent to New Century Mortgage Corporation to induce it to loan Individual B money to purchase XXX XXXXXX XXXXXX,

U.S. v. John Anthony Spencer, et al.

Unit X, St. Paul, Minnesota, by misrepresenting that it was being purchased as Individual B's primary residence.

48. On or about May 26, 2006, defendant Spencer caused a check in the amount of \$21,000 payable to Spencer to be cut from the Dayton Estates Anoka Hennepin Credit Union account number 246XXX out of funds he had falsely led lenders to believe had been paid to prior mortgagors to clear title to Unit X at XXX XXXXXX XXXXXX, St. Paul, Minnesota.

49. On or about May 26, 2006, defendant Spencer caused cashier's check number XXXXX in the amount of \$11,200 payable to defendant Lenton to be withdrawn from the Dayton Estates Anoka Hennepin Credit Union account number 246XXX to compensate defendant Lenton for preparing a fraudulent and inflated appraisal for Unit X at XXX XXXXXX XXXXXX, St. Paul, Minnesota.

All violation of Title 18, United States Code, Section 371.

COUNTS 2-11

(18 U.S.C. § 1343: Mortgage Fraud Through Interstate Wire)

50. The grand jury realleges and incorporates by reference the allegations made in paragraphs 1 through 49 as though fully stated herein for the purpose of alleging the substantive wire fraud offenses alleged in Counts 2 through 7 below.

51. On or about the dates set forth below, in the State and District of Minnesota and elsewhere, the defendants,

U.S. v. John Anthony Spencer, et al.

**JOHN ANTHONY SPENCER,
PATRICK ARTHUR DOLS, AND
BRYAN JOSEPH LENTON,**

for the purpose of executing the aforementioned scheme to defraud, did knowingly transmit and cause to be transmitted in interstate commerce, by means of wire communications, certain signals and sounds, as further described below:

Count	On or About Date	Description of Interstate Wire	Residential Transaction
2	04/11/2006	Electronic transfer of \$335,993.08 from JPMorgan Chase Bank located outside of the state of Minnesota to Mainstreet Bank located within the state of Minnesota	MN purchase of XXX XXXXXX XXXXXX, unit X, St. Paul, MN
3	04/19/2006	Electronic transfer of \$385,803.75 from Countrywide Bank located outside of the state of Minnesota to Mainstreet Bank located within the state of Minnesota	MN purchase of XXX XXXXXX XXXXXX, unit X, St. Paul, MN
4	05/11/2006	Electronic transfer of \$336,844.04 from DBTCO Americas NYC located outside of the state of Minnesota to Mainstreet Bank located within the state of Minnesota	Individual B purchase of XXX XXXXXX XXXXXX, unit X, St. Paul, MN
5	05/26/2006	Electronic transfer of \$343,042.63 from Indymac BK FSB PAS located outside of the state of Minnesota to Mainstreet Bank located within the state of Minnesota	Lenton purchase of XXX XXXXXX XXXXXX, unit X, St. Paul, MN

U.S. v. John Anthony Spencer, et al.

Count	On or About Date	Description of Interstate Wire	Residential Transaction
6	04/17/2006	Electronic transfer of \$244,231.26 from Washington Mutual Bank located outside of the state of Minnesota to M&I Bank located within the state of Minnesota	WI and LI purchase XXXX XXXXXX XXXXXX XXXXX, Minneapolis, MN
7	04/17/2006	Electronic transfer of \$244,520.62 from Deutsche Bk Trust Company Americas located outside the state of Minnesota to M&I Bank located within the state of Minnesota	WI and LI purchase XXXX XXXXXX XXXXXX XXXXX, Minneapolis, MN
8	05/01/2006	Electronic transfer of \$244,500.04 from Wachovia Bank of NC, NA located outside the state of Minnesota to M&I Bank located within the state of Minnesota	WI and LI purchase XXXX XXXXXXX XXXXXX XXXXX, Minneapolis, MN
9	05/08/2006	Electronic transfer of \$246,422.87 from JPMorgan Chase Bank located outside the state of Minnesota to M&I Bank located within the state of Minnesota	Wi and LI purchase XXXX XXXXXX XXXXXX XXXXX, Minneapolis, MN
10	05/24/2006	Electronic transfer of \$243,967.08 from JPMorgan Chase Bank located outside the state of Minnesota to M&I Bank located within the state of Minnesota	WI and LI purchase XXXX XXXX XXXXXX XXXXX, Minneapolis, MN
11	05/31/2006	Electronic transfer of \$247,741.15 from Washington Mutual Bank located outside the state of Minnesota to M&I Bank located within the state of Minnesota	WI and LI purchase XXXX XXXXXX XXXXXX XXXXX, Minneapolis, MN

U.S. v. John Anthony Spencer, et al.

All violation of Title 18, United States Code, Sections 1343 and 2.

COUNT 12

(18 U.S.C. § 1957: Engaging in a Monetary Transaction
in Criminally Derived Property)

52. The grand jury re-alleges and incorporates Paragraphs 1 through 49 as though fully stated herein for the purpose of alleging the substantive money laundering violation alleged in the next paragraph.

53. On or about June 2, 2006, in the State and District of Minnesota, the defendant,

JOHN ANTHONY SPENCER,

knowingly engaged in a monetary transaction by and through a financial institution affecting interstate and foreign commerce in criminally derived property that was of a value greater than \$10,000 and which was derived from specified unlawful activity, namely, the proceeds of the wire fraud scheme charged in Counts 1 through 11 above, namely, defendant Spencer purchased a \$93,372.12 cashier's check utilizing funds in the Anoka Hennepin Credit Union checking account of John Spencer bearing account number XXXXXX-XX.

All in violation of Title 18, United States Code, Section 1957.

U.S. v. John Anthony Spencer, et al.

FORFEITURE ALLEGATIONS

Counts 1 through 12 of this Indictment are hereby realleged and incorporated as if fully set forth herein by reference, for the purpose of alleging forfeitures pursuant to Title 18, United States Code, Sections 981(a)(1)(C) and 982(a)(1), and Title 28, United States Code, Section 2461(c).

As the result of the offenses alleged in Counts 1 through 11 of this Indictment, the defendants shall forfeit to the United States pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c), any property, real or personal, which constitutes or is derived from proceeds traceable to the violations of Title 18, United States Code, Sections 371 and 1343.

As a result of the offense alleged in Count 12 of this Indictment, the defendant shall forfeit to the United States pursuant to Title 18, United States Code, Section 982(a)(1), all property, real or personal, involved in said money laundering violation and all property traceable to such property, including the sum of money involved in Count 12.

If any of the above-described forfeitable property is unavailable for forfeiture, the United States intends to seek the forfeiture of substitute property as provided for in Title 21, United States Code, Section 853(p), as incorporated by Title 18,

U.S. v. John Anthony Spencer, et al.

United States Code, Section 982(b)(1) and by Title 28, United States Code, Section 2461(c).

All in violation of Title 18, United States Code, Sections 371, 981(a)(1)(C), 982(a)(1), 1343 and 1957, and Title 28, United States Code, Section 2461(c).

A TRUE BILL

UNITED STATES ATTORNEY

FOREPERSON